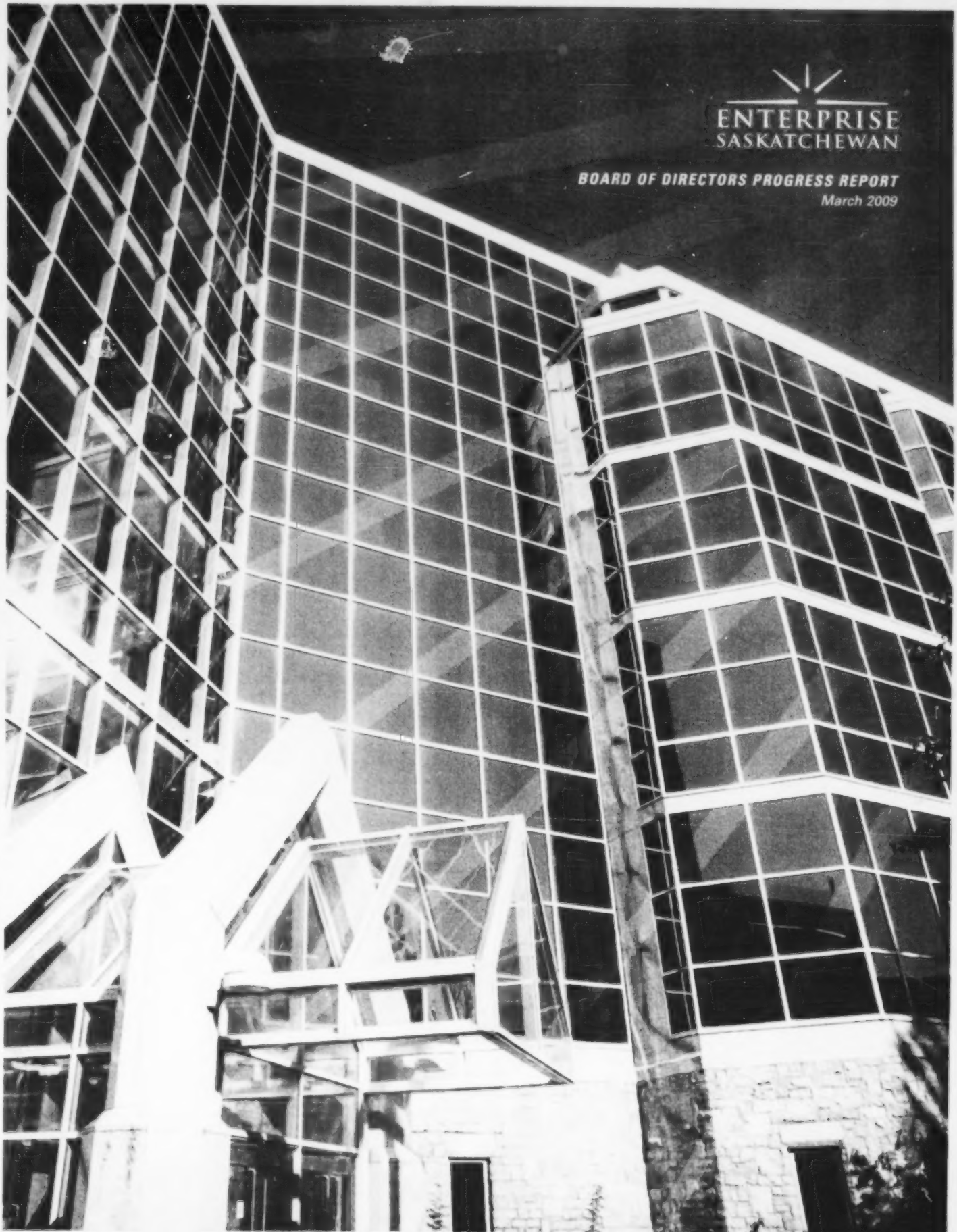

ENTERPRISE SASKATCHEWAN

BOARD OF DIRECTORS PROGRESS REPORT

March 2009

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"Saskatchewan is blessed with a mix of commodities that is matched by few jurisdictions in the world. But while the brightening prospects for commodities and other notable strengths give Saskatchewan a considerable leg up, the province's dream of lasting prosperity is unlikely to become reality without stepped-up efforts to address its remaining vulnerabilities. Despite the false hopes in the past, we believe that the province has never been in a better position to achieve the goal of stronger expansion and a growing population over the long haul."

TD Economics Special Report, June 2008
TD Bank Financial Group

LEFT TO RIGHT

Myrna Bentley
CO-OPERATIVES SECTOR

Hugh Wagner
LABOUR

Gavin Semple
DEPUTY CHAIR

Craig Lothian
RESOURCE SECTOR

Bill Cooper
AGRICULTURAL PRODUCERS

The Honourable Lyle Stewart
CHAIR (Mar/08 – May/09)

Michael Fougere
URBAN MUNICIPALITY

The Honourable Brad Wall
PREMIER OF SASKATCHEWAN

David Marit
RURAL MUNICIPALITY

The Honourable June Draude
MEMBER OF CABINET

Gary Merasty
ABORIGINAL

Crystal McLeod
MEMBER-AT-LARGE

Mark Frison
POST-SECONDARY

Message from the Chair

In the midst of a global recession, there is Saskatchewan.

Although we are not immune to world markets – far from it – we are nonetheless continuing to emerge as an economic leader, and as a place where people and companies want to be.

The Government of Saskatchewan and the Enterprise Saskatchewan Board are working hard to ensure this is not a "here today, gone tomorrow" phenomenon. It is imperative that we ask for and heed the experience and expertise of the leaders within all sectors of our province; understand the dynamics of the national and global marketplace in which we compete; and take measured, deliberate steps to sustain our good fortune as we build the new Saskatchewan economy.

That is why, on March 31, 2008, the future Enterprise Saskatchewan Board began to meet, and was officially proclaimed under the *Enterprise Saskatchewan Act* on July 29, 2008. Since that time, much has been done to realize the vision for the Board, for the benefit of all Saskatchewan citizens.

The ES Board is an outstanding assembly of individuals who are highly respected by their peers and their communities. They bring to the table not only a Saskatchewan perspective, but also an essential, larger perspective that enables us to see ourselves as others see us. Their insight, acumen and passion for this province continue to strengthen our Saskatchewan advantage.

In closing, I would like to thank my predecessor, Lyle Stewart, for his hard work and dedication as he guided Enterprise Saskatchewan through the early critical stages of this first formative year with the development of a new agency and the selection of a very capable Board.

Ken Cheveldayoff
CHAIR

Message from the Deputy Chair

At its inception in 2008, the Enterprise Saskatchewan Board emphasized its commitment to assist with the progress of Saskatchewan through clearly identified, measurable objectives. This progress report is one outcome of that commitment. We will be sharing semi-annually with the public a progress report on the Board's deliberations and analysis.

Our goal as a Board is to work with government and our many collaborators towards an environment for sustainable economic growth and prosperity for all Saskatchewan people. We have been pursuing that goal with diligence and determination. Our recommendations, contained in this report, are due in part to the sector teams, the strategic issues councils and others in this great province who have rolled up their sleeves, made their time count and made their voices heard.

Although all priorities are exactly that, it is only realistic that we approach them systematically in order to achieve the results we want. This past year, considerable effort went into the priorities surrounding taxation, regulatory streamlining, and labour market development. In the coming year, we will continue to work on these issues, as well as the other priorities we have identified.

Our reasoned arguments and analysis behind each recommendation are actually more important, to foster greater public disclosure and understanding, than just the recommendations themselves. In this way, the Board takes its leadership role to inform and educate the people of Saskatchewan about our global competitiveness as a serious responsibility.

This has been a productive year, especially considering it was our inaugural year. On behalf of the Board, I thank our founding Chief Executive Officer Dale Botting and the Enterprise Saskatchewan staff for their assistance and guidance. I also thank everyone who has seen our work as important and has supported our efforts with encouragement and co-operation.

Finally, I must thank the two Cabinet Ministers who sat on our Board, Lyle Stewart and June Draude, for their support as we moved forward with our mission. Their commitment to ensuring economic growth for Saskatchewan through a new governance approach was inspirational and exciting. In particular, I express my sincere gratitude to our founding Chair, Lyle Stewart, for his calm, cool leadership and encouragement as we broke new ground in establishing a strong foundation upon which to build. Lyle's dedication and encouragement in this formative year were integral to our success.

Gavin Semple
DEPUTY CHAIR

Message from the Chief Executive Officer

The relationship of the Board of Directors to Enterprise Saskatchewan represents a new model – a new way of thinking and acting. Rather than prescriptive governance and control, often driven by immediate issues, we have adopted a fundamental shift in our approach to economic development. We are working with those who know; we are inviting every sector of our economy to the table. We're listening. We're looking beyond the horizon. The results will speak for themselves.

This progress report represents an update on the strategic advisory services of the ES Board. Under separate cover, Enterprise Saskatchewan will also be releasing its first ever annual report as a special operating agency with direct responsibilities for managing the processes for economic development in Saskatchewan, in addition to also providing its strategic advice to all of government.

The quality of the Board and the many sector teams and strategic issues councils reporting to it has inspired confidence and optimism throughout Enterprise Saskatchewan. When we speak of the richness of the resources in our province, certainly people such as these must be counted. There is no question we have what it takes to secure Saskatchewan's place as one of the best places in the world to live, to invest and to prosper. The Board can be assured of our loyalty and commitment to its success.

In closing, I thank the Board for their pivotal work in shaping our strategies for development and responding to the heightened interest in Saskatchewan's economic opportunities. Their contributions have done much to inform our actions with respect to the marketing of our province.

Dale W. Botting

Dale Botting
CHIEF EXECUTIVE OFFICER

Executive Summary

This report covers the period October 1, 2008, to March 31, 2009, in the inaugural year for Enterprise Saskatchewan. Considerable effort was made to consult with sector teams, strategic issues councils and others in order to gather the information critical to making informed, collaborative recommendations to government.

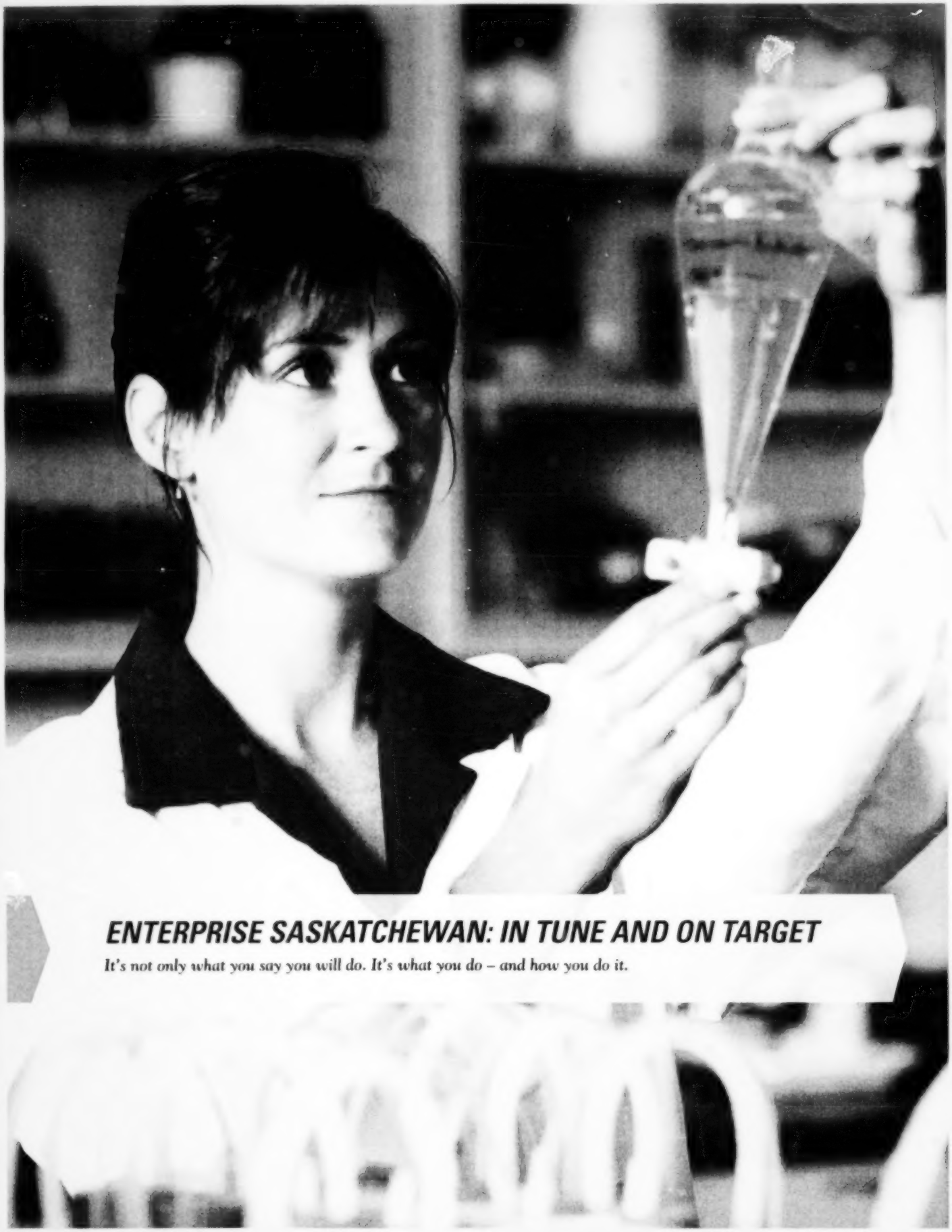
Those recommendations – along with the government responses – are categorized under the priorities of Tax Competitiveness, Regulatory Streamlining, Labour Market Development, Infrastructure/Utilities, Access to Capital, and Resource Value-Added Development and Diversification.

The Board has initially concentrated on three of the six identified priorities for the province. Significant recommendations have been made regarding taxation. These may be controversial, but they are essential to ensure Saskatchewan's competitive advantage. The most recent recommendation is tax reform that would result in 10% Personal Income Tax, 10% Corporate Income Tax and a harmonized sales tax.

Another area of concentration for the Board includes streamlining of regulations to make government more of an enabler than an enforcer and ease the "red tape" burden, especially on small and medium enterprises. This is all part of the goal to create a robust, business-friendly environment in our province.

Sustaining our competitive advantage and securing our future were the principal drivers of the Board's recommendations regarding labour market development. Saskatchewan must develop and grow its labour market through recruitment from other jurisdictions, but just as importantly, from a concerted effort to maximize the potential that is already within our province. The Board is particularly interested in government taking steps to increase participation of Aboriginals in the labour force – through training, partnerships with First Nations and Métis organizations, and other initiatives, which will help to realize the significant potential of this young and growing sector of our population.

With the 18 sector teams and three strategic issues councils now in place and underway, the Board will be receiving their reports and recommendations over the next year. This dialogue represents the best intentions of the Board to engage the people and industries of our province fully in establishing the direction for Saskatchewan's future economic growth.



ENTERPRISE SASKATCHEWAN: IN TUNE AND ON TARGET

It's not only what you say you will do. It's what you do – and how you do it.

The architecture of Enterprise Saskatchewan started with goals and objectives first, which then drove the corporate structure to best achieve the shared vision. Paramount in this is a culture of collaboration with our stakeholders, where Enterprise Saskatchewan serves as the catalyst for big-picture thinking underpinned by can-do performance.

Five broad divisions address the mandate of Enterprise Saskatchewan:

Sector Development and Innovation

This division is responsible for increasing the growth and competitiveness of key economic sectors. Sector teams of external industry advisors make recommendations to remove barriers to growth and build on competitive advantages. This division also assists with specific investment projects, works on attraction of new investment.

Competitiveness and Strategy

The Competitiveness and Strategy division supports stakeholder-led strategic issues councils to generate policy advice to government. The division identifies growth measures, tracks ongoing performance and reports publicly on progress. The division also leads the regulatory modernization agenda and related online business services such as BizPaL.

Regional Enterprise

The Regional Enterprise division was formed to develop a new Enterprise Regions (ER) initiative based on the recommendations of the Regional Economic Development Authority (REDA) Working Group. The ER program is assisting each region to increase business and industry competitiveness, realize economic potential and compete globally.

Marketing and Communications

This division promotes Saskatchewan as the best place to live, work, operate a business, and invest. The division co-ordinates activities with other partners to attract investment through effective co-branding, co-marketing, and strategic and aggressive promotional and sales efforts.

Corporate Services

Our fifth division includes finance, human resources, information technology, legal and board services, contract administration, and programs such as Invest in Saskatchewan, Small Business Loans Association and the Western Economic Partnership Agreement, among others.

In November 2008, a new Innovation Strategy Group, reporting directly to the CEO, was put in place to plan and expedite Innovation Saskatchewan. Once established, Innovation Saskatchewan will act as a special operating agency to focus, co-ordinate and support research activities in the province, with the goal of fostering an innovation-driven economy.

Enterprise Saskatchewan Board: Driving Saskatchewan's Priorities

The 12-member Enterprise Saskatchewan (ES) Board of Directors consists of leaders from business, labour, First Nations and Métis, municipalities (urban and rural), post-secondary educational institutions, co-operatives, the resource industry and agricultural producers. As well, there is one member-at-large and, by legislation, the Minister of Enterprise Saskatchewan and a member of Cabinet.

The Board was appointed from 302 nominations from sectors across Saskatchewan. Each nominee was evaluated against a broad range of criteria to achieve a representative, professional board well versed in board governance and with an extensive range of skills and experience.

The Board's specific duties are to make strategic recommendations to government to grow the economy, to set and launch the key indicators of economic growth, and to oversee and co-ordinate business attraction efforts. The Board also provides oversight to the Chief Executive Officer as he heads all the operating divisions within this new special operating agency.

The Board has identified its priorities, arising from the various sectors represented, along with priorities presented to the ES Board by Premier Brad Wall. The priorities and rationale are presented herein. They will continue to be addressed in the coming year, utilizing the input and advice from the sector teams and strategic issues councils.

Tax Competitiveness

The ES Board is tasked by the Enterprise Saskatchewan Act and by the Premier with providing leadership on tax policies to increase economic growth.

The prosperity of Saskatchewan, and indeed of any jurisdiction, is founded upon its ability to attract, inspire and retain excellent people and enterprises. This is no small task: we have to compete in a highly aggressive market. Our principal competitor is arguably the most formidable in the country: the province of Alberta. One of the key competitive factors is taxation.

The Board recognized that Saskatchewan property taxes were among the highest in Canada. Property taxes are a tax on companies' assets and have no relationship to income or profitability. High property taxes negatively affect small business investment. As a tax reduction priority, the Board strongly recommended a plan to reduce the education component of property taxes, which later became a cornerstone of the 2009 Provincial Budget.

Rather than increasing revenue to the Province, high taxation can drive revenue away. This is already evident when comparing the high end of personal income tax in Saskatchewan (15%) with that of Alberta (10%); the 5% discrepancy has motivated some high-income earners in the province to find ways to divert their income into our neighbouring province. It also discourages top income earners in all disciplines from moving into Saskatchewan.

Saskatchewan's marginal personal tax rates on labour income and savings, especially for individuals with modest incomes, are high. There is sound evidence to show high marginal tax rates deter people from investing in education, discourage savings and negatively impact on an individual's decision to become a self-employed entrepreneur. High taxes also act as a deterrent to reporting income.

> *"I want Enterprise Saskatchewan to advise us on the best way to ensure the competitiveness of our economy in terms of future affordable and sustainable tax reduction priorities. The sales tax, corporate and small business taxes, and the income tax rates themselves all have a direct impact on the economy."*
>
> Premier Brad Wall

Ironically, lowering personal income taxes (PIT) could in fact lead to increased overall tax revenue. Furthermore, lowering personal income taxes will also have positive impacts on quality of labour (skilled workers wanting to work in Saskatchewan) and productivity (there will be a greater incentive to work and to perform well).

Many of the same principles for the PIT apply to corporate income tax (CIT). Companies are not about to move to places they do not perceive as "business-friendly," and they use tax policies to help

make that determination. Furthermore, Saskatchewan has to work hard to change a pervasive reputation for its high corporate taxes. The Board is certain that our overall enterprise strategy and message of a "new Saskatchewan" will better resonate with investors, CEOs and corporate boards with a competitive CIT regime that supports that claim.

RECOMMENDATION:

Focus on property taxes and personal income taxes for both low- and high-income earners as tax competitiveness priorities. Establish a strategic issues council to research and advise on tax competitiveness measures to encourage economic development.

RESPONSE:

On October 21, 2008, the Premier announced the largest single-year income tax reduction in Saskatchewan history, saving taxpayers over $300 million per year. All income tax filers over 18 experienced a tax reduction, retroactive for 2008. More than 80,000 low-income taxpayers were erased from the tax rolls all together.

On March 18, 2009, as part of the 2009-10 Provincial Budget, the government delivered the largest education property tax reduction in Saskatchewan's history. Education taxes were reduced by $103 million this year and a further $53 million next year. The tax system will be made more fair through the introduction of provincewide mill rates.

Enterprise Saskatchewan contracted the Canada West Foundation (Jack Vicq) and the CD Howe Institute to assist the Board as it assessed personal and corporate tax options.

The Board considered principles for effective tax structures based on previous research of the Saskatchewan Business Tax Review Committee, the Conference Board of Canada, the international Organization for Economic and Co-operative Development (OECD) and other tax policy experts, in making further tax recommendations. The Board's recommendations for a broad-based approach to tax changes are consistent with advice from most major tax policy experts as well as the Saskatchewan business community.

Saskatchewan is primarily an exporter, with 70% of our economy dependent on sales outside the province. One of the principal reforms within this strategy is the harmonization of the PST and GST into a Value-Added Tax (VAT). This would significantly increase our business competitiveness nationally and internationally. It would remove a built-in "PST tariff cost" from all our exports. It would decrease the cost of investment in equipment and technology while increasing productivity and wages. Along with the savings from the elimination of taxes on business inputs, this harmonization would reduce the often major administrative expense of tax compliance. Saskatchewan companies would no longer have to comply with two separate and often conflicting sets of tax rules.

In essence, the ES Board agrees with the views of the OECD:

> *Given the need to raise productivity growth, revenue neutral tax reforms to reduce distortions in the current tax system should now be pursued. The top priority is to convert retail sales taxes in provinces that still have them to a harmonized tax.*
>
> *Economic survey of Canada 2008: Tax reform for efficiency and fairness*

RECOMMENDATION:

Implement a competitive and affordable tax structure based on the following broad-based tax changes:

1. ***Implement a plan to reduce the education component of property taxes;***
2. ***Implement a three-year plan to reduce personal income taxes to a 10% flat rate;***
3. ***Implement a three-year plan to reduce general corporate income taxes to a 10% rate;***
4. ***Make no changes to the small business income tax rate or structure;***
5. ***Make no major changes to the corporation capital tax structure;***
6. ***Engage in sales tax harmonization discussions to determine if the federal government is willing to provide policy flexibility and financial assistance to make harmonization affordable; and***
7. ***Examine targeted corporate tax measures to determine effectiveness in meeting policy objectives.***

RESPONSE:

On March 18, 2009, the Government of Saskatchewan announced it would cut and cap education property tax rates (mill rates) by setting provincewide tax rates for each of the three major property classes – residential, commercial and agricultural. The overall amount of tax paid by property owners to fund education will be reduced by $103 million, or 14%, in 2009 compared to 2008. The education property tax will be reduced by a further $53 million next year, with the province assuming an offsetting share of the funding for education.

The government will consider further reductions to income and corporate tax rates as part of future budget deliberations. All tax decisions will be considered in the context of tax competitiveness and fiscal sustainability.

The Premier has indicated that the provincial government is not pursuing sales tax harmonization as per his commitment during the 2007 election campaign.

Research and Development: Effective dialogue yielding positive results

The Enterprise Saskatchewan Board recognized that small innovative start-up companies most in need of the research and development tax credit were not able to benefit from the R&D tax credit that was available only to profitable companies. Consultations had identified overwhelming support for making the existing 15% credit refundable rather than increasing the rate. Furthermore, the change will not increase the complexity of the tax system. The Board recommended making changes to support the innovation agenda by encouraging all companies to increase research and development.

RECOMMENDATION:

Amend the R&D tax credit to make it refundable at a 15% rate.

RESPONSE:

The 2009-10 Budget announced that the R&D tax credit would be refundable at 15%.

May 2009 Amended Recommendation

Since the Board's earlier recommendations in the past year, we have seen other provinces – most notably New Brunswick and Ontario – introduce tax reforms that have set a new standard of competitiveness. New Brunswick's corporate and personal tax reform plan is challenging Alberta for the lowest business taxes in Canada by 2012. Ontario is converting its sales tax to a value-added tax through harmonization and reducing its corporate income tax rate from 14% to 10% by 2013. Furthermore, we are seeing changes at the federal level that are attuned to harmonization; the federal government has set a new precedent by allowing increased flexibility on what has been taxed traditionally, and is providing significant funding to Ontario to offset revenue loss.

These tax reforms are likely to trigger further changes in other provinces. The implications for Saskatchewan are both obvious and pressing. Our tax system must be competitive, with Alberta being Saskatchewan's benchmark. Otherwise, tax differentials between the two jurisdictions will continue to promote both personal and corporate tax leakage.

Without tax changes, Saskatchewan will have one of the highest corporate income tax rates in Canada, along with one of the highest effective overall tax burdens on investment in the country. Companies will not invest in Saskatchewan if there is no sound, sustainable financial reason to do so.

Consideration of all of the above has led the Enterprise Saskatchewan Board to recommend a broad-based, low-rate strategy that is:

- The most effective way to encourage business attraction, retention and growth, which is a compelling factor in attracting and retaining a strong labour force;
- A movement to a more neutral tax regime; and
- Consistent with the Board's previous recommendations.

We believe our recommendations are essential to the long-term growth and prosperity of Saskatchewan. The reforms would be in step with other jurisdictions that we must compete with, at home and abroad. These reforms would significantly increase our ability to attract and keep skilled, industrious people; successful, growing businesses; investors from throughout the world; and entrepreneurs and professionals. It is a tax policy that not only supports our shared vision of our great province, but also reflects our rise to the forefront in a changing global economy.

AMENDED RECOMMENDATION:

10/10 in 2010

The Enterprise Saskatchewan Board recommends to the Government of Saskatchewan that it implement tax reforms resulting in:

- ***10% Personal Income Tax;***
- ***10% Corporate Income Tax; and***
- ***A harmonized sales tax.***

RESPONSE:

The government has heard the Enterprise Saskatchewan Board's message recommending quicker action towards more competitive taxes, particularly in light of changes recently announced by other provinces. The government recognizes the potential positive impacts these changes would have on the Board's stakeholders and our export-driven economy. During the budget process, government will consider the significant cost implications of the recommended tax changes and the need to balance any revenue reductions with our commitments to investing in infrastructure as well as in education, health and other public services necessary to support economic growth.

As noted earlier, the government will consider further reductions to income and corporate tax rates as part of future budget deliberations. All tax decisions will be considered in the context of tax competitiveness and fiscal sustainability.

The Premier has indicated that the provincial government is not pursuing sales tax harmonization as per his commitment during the 2007 election campaign.

Regulatory Streamlining

The Enterprise Saskatchewan Board has no use for unnecessary red tape. At the same time, the Board notes that regulations are both necessary and useful in protecting public health and safety, workers and the environment.

The problem – and the focus of the Board – is inefficient regulation that causes confusion and time delays, or is outdated or simply unenforceable. Regulations are costly not only to business, but to individuals. Small and medium enterprises (SMEs), especially, are seriously impacted by the workload that regulations and paperwork can cause.

"In many cases, developments are delayed because of the lack of co-ordination between various approval groups. While approval processes need to be thorough, a more efficient approval process would assist business."

David Marit
ES Board Member

The unintended costs of regulation are usually less visible, but are real and can be detrimental. Inefficient regulations in Saskatchewan create negative impressions of our business environment, resulting in lost opportunities for company attraction and investment. Investment delays also have a high cost to government in lost tax revenues.

Previous efforts to address regulatory issues have taught us important lessons as we move forward. We now know that leadership and support from the top is vital. There must be an understanding of the key issues and a willingness to implement solutions. There has to be a clear mandate and stakeholder support that engages the regulated bodies and balances public and private interests. It is paramount to build trust and confidence.

The Board recognizes that regulatory environment is not just about the actual regulations, but also about how the regulations are administered and how government interacts with those regulated. As a result, the Board recommended establishment of a strategic issues council to identify cross-sectoral regulatory and related service barriers, and to make recommendations to make it easier for business to do business and interact with government.

RECOMMENDATION:

Establish a strategic issues council to improve business services and reduce regulatory red tape.

RESPONSE:

Seven business leaders appointed to the Regulatory Modernization Council held their first meeting on September 17, 2008, and four subsequent meetings. The council has a workplan with key action items that are being advanced and will be publicly reported upon in future ES Board progress reports.

The Regulatory Modernization Council saw the need to establish an internal co-ordinating body of key ministries to facilitate two-way communication between the council and government, and advanced this recommendation to the Board.

RECOMMENDATION:

Establish an inter-ministry regulatory modernization committee of deputy ministers or designates to co-ordinate implementation of expected regulatory and related service recommendations within government, and that it report on progress to the Regulatory Modernization Council.

RESPONSE:

A committee has been established, chaired by the Registrar of Regulations. The first meeting was held February 11, 2009. Working groups have been established, as necessary, to implement recommendations.

New technologies present opportunities for government to provide better service to business. The Board noted that entrepreneurs and business users are not able to quickly and easily find the information that they need on the Government of Saskatchewan website. The Board supported the proposed development of a new "gateway" website to serve as a single entry point into government online. Online clarity and simplicity will save businesses time and money by providing satisfactory outcomes faster and reducing administrative burden. This is especially true for small companies and their owners.

RECOMMENDATION:

Continue work to implement a proposed client-focused business gateway, with priorities to include more consistent forms across government, availability of online transactions and single-window business registration.

RESPONSE:

The Saskatchewan Information Technology Office has completed research on best practices and consulted with stakeholders. The report is currently being considered by government. ES is enhancing its website to be more user-friendly and is working with other ministries on a business plan for a one-stop business registration website.

The Board also recognizes that highly prescriptive regulations (indicative of a "command and control" philosophy) often deter use of new technologies and processes, and can stifle innovation. In sharp contrast to the outdated mindset is the proposed Saskatchewan Environmental Regulatory Model. Key to this innovative model is a results-based approach. That is, rather than regulations being highly prescriptive, the emphasis is on agreeing on the desired outcome – the result that the regulations are designed to achieve in the first place – and allowing more flexibility by the regulated entity as to how that result is accomplished.

RECOMMENDATION:

Pursue further consultations and research regarding a results-based model for environment regulations.

RESPONSE:

The Ministry of Environment is leading consultations with business, industry, communities, First Nations and select NGOs. A report has been released and Environment is undertaking additional consultations on its proposed plan.

Timely and responsive service from government is an important component of the regulatory environment. The Regulatory Modernization Council recommended to the Board that the Ministry of Finance adopt a Taxpayer Service Commitments and Standards Code, developed in partnership with stakeholders, and that it be used as a model for other ministries. The ES Board supported the recommendation and looks forward to seeing other ministries using this template to develop their own service standards.

RECOMMENDATION:

Implement the Ministry of Finance's Taxpayer Service Commitments and Standards Code and direct other ministries that deal with entrepreneurs and industry to develop similar commitments and standards in consultation with stakeholders.

RESPONSE:

The Taxpayer Service Commitments and Standards Code was released February 12, 2009. This document clearly delineates the Ministry of Finance's service commitments, with specific measurable performance standards and easily understood policies. ES will work with other ministries to adopt service standards.

The ES Board supports a transparent process for developing regulations that takes into account stakeholder input. Better regulations are expected when government has an understanding of the impact of those regulations.

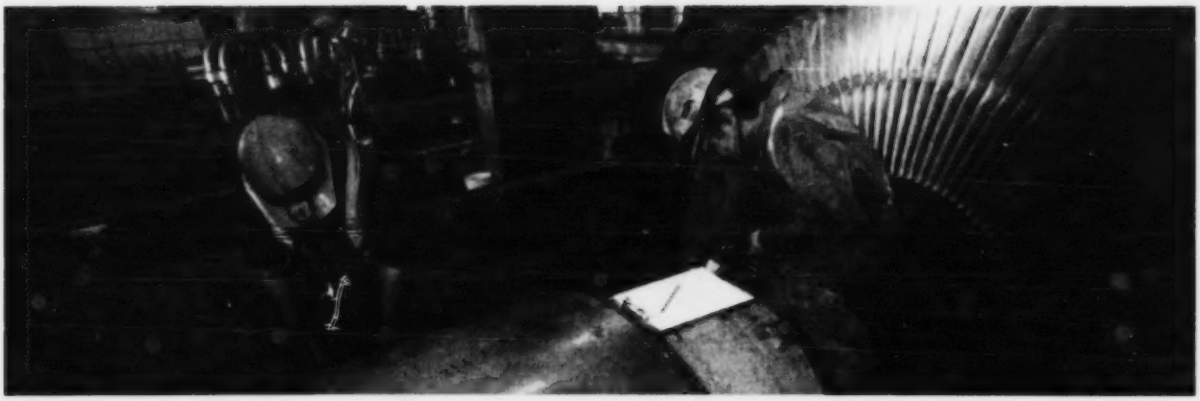
RECOMMENDATION:

Begin a process to implement a one-stop online consultation tool for proposed new and amended regulations – under the direction of the Regulatory Modernization Council.

RESPONSE:

"Your Voice - Saskatchewan Regulations" is currently under development by Enterprise Saskatchewan. All ministries have been requested to post new and amended regulations and other proposed related regulatory policies. The consultation website is expected to be in full operation by September 2009.

> *"Sector teams can be effective in identifying regulations that are barriers to growth. We can and should move quickly in this area."*
>
> Bill Cooper
> ES Board Member



Labour Market Development

The ES Board identified the development, retention and attraction of a skilled labour force as critical to the province's economic growth. Over the last year, the labour force supply has been insufficient to meet demand. Future scenarios, as the baby boom population begins to retire, point to worsening shortages over the next 10 to 15 years.

Successful development of our labour market will depend on a co-ordinated and multi-faceted approach. We need to "sell" our province not only to a target audience outside Saskatchewan, but also within. We have to focus on the key benefits that attract labour, such as good salaries, low taxation, desirable lifestyle, good education and health care, affordable and diverse housing, safe neighbourhoods, and the opportunity to advance. We need to take stock of these factors and take effective steps to correct any deficiencies that reduce our competitive attractiveness.

The Enterprise Saskatchewan Board has taken stock and has made a number of recommendations that were acted upon in our first year. We understand the urgency and the challenges of building a robust labour force. At the same time, we know Saskatchewan has much to offer – especially in a national and international scenario where our province has emerged as the bright light in a dark economic period, and more and more talented people are starting to take notice.

RECOMMENDATION:

Quickly implement actions to address labour market shortages.

RESPONSE:

The Ministry of Advanced Education, Employment and Labour (AEEL) has been working with the federal government and private industry to engage and support Saskatchewan's growing First Nations and Métis workforce. Recent examples include the signing of two Aboriginal Skills Employment Partnership agreements ($33-million Northern Career Quest project and $6.3-million Bridges and Foundations for Aboriginal Development project). Importantly, Saskatchewan has experienced 10 consecutive months of employment gains for First Nations and Métis people. As well, AEEL has facilitated employer-led out-of-province recruitment efforts contributing to increased interprovincial migration. Over 85% of the net interprovincial population gains came from the two provinces where recruitment efforts took place – 2,415 from Ontario and 2,312 from Alberta. Additionally, the Saskatchewan Immigrant Nominee Program continues to attract skilled newcomers to the province with a robust nomination target of 3,400 nominees in 2009-10. The Saskatchewan Labour Market Commission presented a Labour Market Strategy to the ES Board. A new Labour Market Strategic Issues Council is proposed to focus on providing advice to government on closing labour supply and demand gaps and monitoring progress.

Increasing Aboriginal employment rates to the level of employment rates of non-Aboriginal people would add about 20,000 people to the workforce. In 2006, the employment rate for non-Aboriginal people in Saskatchewan was 67% compared to 61% and 37% for Métis and First Nations people respectively. Employment rates increase as education levels increase. Aboriginal people with a university degree have comparable employment rates to non-Aboriginal people.

Source: Statistics Canada 2006 Census

At the top of the Board's list within the "grow your own" strategy is increased attention to and participation of the Aboriginal community. This is essential for labour market development. Our province is fortunate to have a young and significant First Nations and Métis population with the potential to become successful entrepreneurs, innovators, technicians, professionals and skilled labourers. Workplace readiness skills along with more education and training levels are needed to assist these individuals to reach their full potential.

"We must ensure that Aboriginal people are part of the new economy of Saskatchewan. This can be achieved through open and meaningful communications and specific go-forward plans with Aboriginal stakeholders."

Crystal McLeod
ES Board Member

The Board recognizes Saskatchewan's historical high level of net out-migration of youth. We must become better at keeping our young people here at home, participating in our economy. Youth need to be provided with leadership opportunities to give advice to make Saskatchewan a more attractive place for them to live, work and start a business.

RECOMMENDATION:

Establish a Youth Economic Engagement Strategic Issues Council.

RESPONSE:

A new Youth Economic Engagement Council has been established with nine council members representing urban, rural, northern, First Nations and Métis youth. Their ideas, as adopted by the ES Board, will be publicly reported in future ES Board Progress Reports.

Highly-educated youth are vital to our future economic growth. This led to the Board's recommendation on the graduate retention program, to reverse the pattern and increase the attraction of educated youth from outside Saskatchewan.

RECOMMENDATION:

Expand the graduate retention program to attract recent graduates from outside the province and include post-graduate students as being eligible for the credit.

RESPONSE:

The Ministry of Advanced Education, Employment and Labour (AEEL) announced that, in addition to Saskatchewan graduates, the graduate retention program now includes eligible post-secondary graduates from across Canada and beyond. The program is described at www.aeel.gov.sk.ca/grp. AEEL is looking to the ES Board to determine next steps on the eligibility of students beyond the undergraduate level.

"Saskatchewan will have the most aggressive youth retention plan in Canada."

Premier Brad Wall

Exploration of strategies to attract and retain people should also include those who wish to be self-employed. Enterprise Saskatchewan is particularly interested in Saskatchewan becoming the mecca for young entrepreneurs.

RECOMMENDATION:

Establish an Entrepreneurship Council and prepare a comprehensive entrepreneurship strategy.

RESPONSE:

A nine-person Entrepreneurship Council has been established. Over 400 people responded to a survey of barriers to entrepreneurship; these results will contribute to the entrepreneurship strategy. Key issues identified include finance, mentorship, education and access to information. Detailed proposals for more entrepreneurial start-ups and growth in Saskatchewan are currently under active development.

Concentration on labour development within our province does not, by any means, deny the importance of recruitment from outside the province. Even with full participation of our Aboriginal people, Saskatchewan is expected to face labour shortages in the absence of increased in-migration. We were encouraged to learn that in 2007-08, interprovincial migration led to a population increase in Saskatchewan for the first time in over 20 years, and that international immigration had significantly increased as a result of enhancements to the Saskatchewan Immigrant Nominee Program. The Board applauds all efforts to attract workers from other provinces and countries to Saskatchewan.

"Without a skilled labour force, our economic momentum will stall."

Mark Frison
ES Board Member

RECOMMENDATION:

Pursue investment, labour and tourism attraction missions to Ontario, Alberta, Manitoba and British Columbia, and consider adding the Atlantic provinces.

RESPONSE:

ES, AEEL, and Tourism Saskatchewan facilitated an employer-led mission to the National Job Fair in Toronto from September 28 to October 1, 2008, attracting at least 100 workers and their families to the province, generating $846,000 in earned media and a record number of visits to saskjobs.ca. A second successful mission to Toronto was held March 31 to April 1, 2009, that resulted in approximately 3,000 resumes collected by Saskatchewan employers, $2 million in earned media and a one-week record of 159,000 hits at saskjobs.ca during the job fair.

Infrastructure/Utilities

> *"The nature of what drives the provincial economy is changing rapidly, and Saskatchewan is poised to enjoy tremendous growth and must adapt to strengthen our competitive position during these changing times."*
>
> Michael Fougere
> ES Board Member

The expression "If you build it, they will come" has very real significance when it comes to infrastructure. There is an urgency in many Saskatchewan communities to reverse trends of a disappearing infrastructure, with the concern there will be nothing left to attract people, investment and industry – nothing left on which to build. How we address that challenge today will heavily influence the course of progress in communities and regions throughout the province.

There are those who would say, "What's new? This has been going on for decades!" The answer is that this time there are some new factors. Saskatchewan is not only changing, but also changing in new ways. What was once thought inevitable and permanent – the shift in population from rural communities to the major cities in the province – is now beginning to show a reversal, spurred by multiple developments across Saskatchewan. Long-range forecasts, however, do not change present-day realities. In determining its recommendations for the building of our province's infrastructure, the ES Board considered both the present and the future.

Perhaps the most emotional debates concern schools in rural communities. The Board recognizes that our population is aging and the number of school-age children is declining. There are those, however, who will argue that the trend is about to change, and point to major projects on the horizon in need of a local rural workforce. Schools help to attract families to rural communities and will be needed in the future.

RECOMMENDATION:

In light of the changing Saskatchewan economy and the important role that schools and provincial rural infrastructure play in our economy:

1) any decisions on closures of rural schools or provincial infrastructure facilities be suspended for a three-year period, at which time an appropriate analysis on the impact of closures of these facilities can be undertaken; and

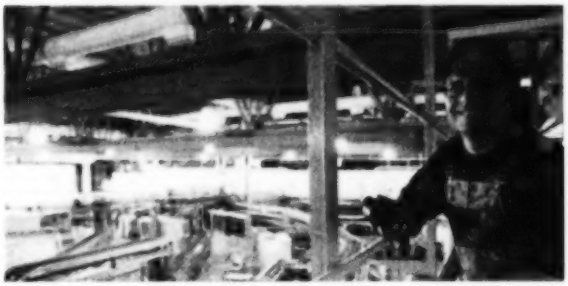
2) government undertake an immediate review of the critical role that both our primary education system and rural provincial infrastructure in rural Saskatchewan play in our province's economic development.

RESPONSE:

The government has committed to striking a balance between providing education as close to children's homes as possible and having a minimum number of students per grade to allow a quality education. Amendments made to The Education Act, 1995 and The Education Regulations, 1986 include the new Schools of Opportunity designation, which provides rural school divisions with financial support to allow communities to demonstrate increased school enrolments. As per the ES Board's recommendation, communities will now have up to three years to demonstrate the increased need. The change recognizes the importance of schools to rural communities where increased economic opportunities on the horizon have brought optimism for the future.

Research and development is another pillar in the foundation for future success. "Big Science" projects are an example. They are defined as being national centres of excellence within global knowledge networks focused on multiple-discipline research and large capital-intensive projects or facilities. Several such projects exist in Saskatchewan including the Canadian Light Source Synchrotron, VIDO/InterVac, and the Petroleum Technology Research Centre.

Projects of this scope promote economic diversification, attract world-class researchers and enhance the image of the province.



RECOMMENDATION:

Further analyze endowment funds as an option to sustain our provincial strategic research infrastructure.

RESPONSE:

ES is working with AEEL on an overall assessment of "Big Science" infrastructure. Innovation Saskatchewan is expected to further co-ordinate investment in research infrastructure.

Economic growth must also be sustainable. While we are one province, the regions within our province each have their own unique strengths and economic potential. Industries that might be attracted to Estevan, for example, might not be interested in La Ronge, and vice-versa. The ES Board supports the Enterprise Region model, so that our regions can achieve business and industry competitiveness and compete globally. The Board is particularly interested in ensuring that partners/leaders in each of the regions represent a broad spectrum of the geography and stakeholders within their region. Furthermore, the Board wants to see additional enterprise regions established in the north, so that the vast potential of northern regions and their communities is in step with development of the province as a whole.

RECOMMENDATION:

Implement the Enterprise Region concept subject to further consultations with SUMA and SARM.

RESPONSE:

In June 2008, consultations were held with the SUMA Board and the SARM Board and with SARM's six districts. Since the program launch in August, regions formed multi-stakeholder working groups, which worked with ES staff and facilitators to design and develop their enterprise region. To best leverage regional strengths, 13 enterprise regions have been established to build regional economies; foster a culture of enterprise and innovation; build on competitive advantages; and engage leadership in – and effective governance of – regional economic development.

RECOMMENDATION:

Establish enterprise regions in northern Saskatchewan.

RESPONSE:

The formation of new northern enterprise regions was announced in the 2009-10 Budget and is being led by the Ministry of First Nations and Métis Relations (FNMR). Meetings were held with Western Economic Diversification Canada, and a working group was formed with ES, FNMR and the federal government to further define and advance the northern enterprise regions.

"We can and should learn from the experiences in other provinces and avoid falling too far behind in our infrastructure investments."

Hugh Wagner
ES Board Member

Concomitant with all of these priorities are the vital priorities across the entire infrastructure spectrum. The Board recognized the need to develop and communicate a long-term strategic plan for infrastructure investment to support our economic growth and to facilitate planning by industry. The Board will continue to address the critical importance of infrastructure development such as our roads and transportation systems, utilities and other investments.

RECOMMENDATION:

Require five-year capital plans for all public sector organizations, including health districts, school boards, universities, regional colleges and the Ministry of Government Services.

RESPONSE:

The Ministry of Highways and Infrastructure released its five-year capital plan for highway upgrades on December 3, 2008, with assistance from ES on priorities for economic development. ES will be working with Executive Council and other ministries to incorporate economic impact assessments as part of long-term capital plans.

"The planned growth of our economy will require a solid strategy for the replacement of current and the building of new infrastructure."

Myrna Bentley
ES Board Member

Access to Capital

"The global recession and sea-change in money markets will have an impact. There will be more projects chasing fewer dollars. We must ensure we're in the race."

Gary Merasty
ES Board Member

The ES Board recognizes that Saskatchewan is not immune to the global credit crisis. The Board sees access to capital as a key factor impacting the continued operation and growth of many of the businesses in the province. In many cases, traditional sources of capital are no longer accessible to the Saskatchewan businesses that need it – and capital is the lifeblood of entrepreneurial success and business growth.

In the past, most of the potential sources of capital – investors and investment fund managers – have literally flown over Saskatchewan, on their way to the centres of capital such as Vancouver, Calgary and Toronto. That scenario is changing as Saskatchewan continues to capture headlines in the financial press.

Especially against the backdrop of economic gloom, the good news stories that continue to come out of Saskatchewan are turning heads. Investors are taking notice. They should. Nationally and internationally, we are seen as leading Canada in growth, and the outlook remains good. We have very attractive investment potential. The ES Board wants to leverage that potential by ensuring government policies are in place to encourage in-flow and retention of venture capital.

RECOMMENDATION:

Pursue the development of other independently managed venture capital growth opportunities wherever possible.

RESPONSE:

Government is looking at options to expand venture capital in the province. The tax credit for federally registered Labour-Sponsored Venture Capital Corporations was increased from 15% to 20% on the first $5,000 invested each year by each individual. Enterprise Saskatchewan also was a sponsor and participant at the Canadian Venture Capital Association's 2009 Annual Conference.

Our two provincially registered labour-sponsored investment funds (LSIFs) – Golden Opportunities and SaskWorks Venture Fund – have performed well, and also provide an option for Saskatchewan residents to keep their investment dollars here. However, with an annual cap of $25 million, not all residents who may want to invest in these provincial funds and receive tax credits would be able to do so.

RECOMMENDATION:

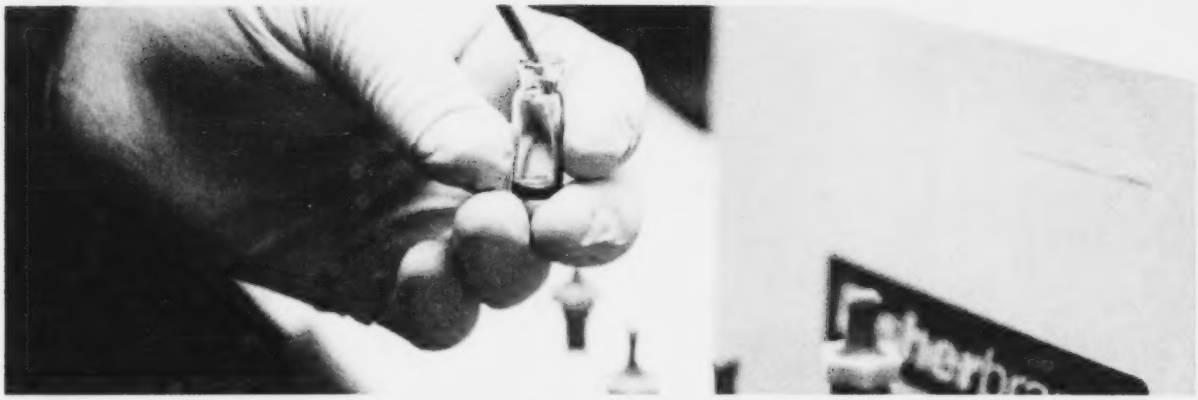
Remove the annual sales cap for provincial funds from the Invest in Saskatchewan program (labour-sponsored venture capital corporation funds).

RESPONSE:

The Saskatchewan government doubled the annual cap on provincially registered funds from $25 million to $50 million per fund to boost economic growth through encouraging additional venture capital for business growth and development. Golden Opportunities and SaskWorks Venture Fund raised $24 million and $34 million respectively during the 2008 tax season.

"While it is easy to get a mortgage or a car loan in Saskatchewan, it is difficult to source venture capital, debt and private equity."

Craig Lothian
ES Board Member



Resource Value-Added Development and Diversification

By late fall 2008, a volunteer army of 18 sector teams was assembled from among dozens of industry leaders, with initial meetings taking place before Christmas and more detailed planning and debate, sector by sector, starting to accelerate by early spring 2009. As of March 31, 2009, few of the sector teams were quite ready to appear before the ES Board, but in the last few months their ideas are now flowing steadily, and the endorsement of these many proposals by the ES Board will be a major part of the ES Board's responsibility.

In the meantime, prior to March 31, 2009, the Biofuels and Bioproducts Sector Team advised the ES Board that immediate steps should be taken by the provincial government to establish a biodiesel mandate, similar to its ethanol mandate. The Canadian government announced that it will introduce a national on-road biodiesel mandate by 2012, and Saskatchewan must be ready. Alberta and Manitoba will be implementing mandates and incentives for biodiesel produced and sold in their provinces. Without competitive policies, Saskatchewan will not be able to capture future biodiesel industry investments.

RECOMMENDATION:

Develop a biodiesel mandate for Saskatchewan with industry input by March 31, 2009.

RESPONSE:

ES hired a biofuels sector manager and established a team to develop a comprehensive biofuels strategy for Saskatchewan with a competitive mandate and programming. A new Biofuels and Bioproducts Sector Team has been formed to guide this important effort.

Enterprise Saskatchewan Board Members

The Honourable Ken Cheveldayoff
CHAIR – GOVERNMENT NOMINEE

Minister of Enterprise, Minister Responsible for Trade, Minister Responsible for SaskEnergy. Minister Cheveldayoff was elected in 2003 as the MLA for Saskatoon Silver Springs, and worked as a senior business advisor helping individual businesses and industries to grow and expand. Mr. Cheveldayoff attended Carleton University in Ottawa, the University of Saskatchewan and Newport University in Southern California, receiving a B.A. (Honours) in Economics and Political Science in 1988 and a Master of Business Administration in 1996.

The Honourable Lyle Stewart
FORMER CHAIR – GOVERNMENT NOMINEE (MAR/08 – MAY/09)

Former Minister of Enterprise and Innovation and responsible for the Saskatchewan Government Growth Fund, Saskatchewan Opportunities Corporation, Saskatchewan Research Council and Investment Saskatchewan. Mr. Stewart was first elected as the MLA for Thunder Creek in 1999. He continues to farm and ranch near Pense. While Mr. Stewart is no longer on the ES Board, his leadership and contributions to get the ES Board started were instrumental, and he has left a lasting legacy.

Gavin Semple
DEPUTY CHAIR – BUSINESS NOMINEE

Owner and President of Brandt Group of Companies, the largest privately held company in Saskatchewan, employing 1,250 people across Canada. Mr. Semple has served on several boards. He is an active supporter of community organizations including evraz Place and Luther College. Earlier in 2009, Mr. Semple became the first ever Saskatchewan citizen to be appointed to the Canadian Manufacturing Hall of Fame.

The Honourable June Draude
MEMBER OF THE EXECUTIVE COUNCIL

Minister Responsible for Crown Investments Corporation, Information Technology Office, Information Services Corporation, Saskatchewan Government Insurance, Public Service Commission, and Provincial Secretary. Minister Draude was first elected as the MLA for Kelvington-Wadena in 1995. She has operated a mixed farming corporation and a playground manufacturing business. She was also instrumental in the start-up of a bed and breakfast.

Myrna Bentley
CO-OPERATIVES SECTOR NOMINEE

President and CEO of Concentra Financial Services Inc. Ms. Bentley has worked in the co-operative financial system for more than 30 years, holding a variety of senior executive positions. She is an active community volunteer and has served on many non-profit boards. Ms. Bentley has won many awards and recognition for her leadership.

Bill Cooper
AGRICULTURAL PRODUCERS NOMINEE

Farmer in the Foam Lake area since 1951, and has taught numerous agriculture courses at the University of Saskatchewan. Mr. Cooper has served on several agriculture boards, committees and think tanks, and is an advocate for market-driven solutions in agriculture.

Michael Fougere
URBAN MUNICIPALITY NOMINEE

President of the Saskatchewan Construction Association. Mr. Fougere is sitting for his fourth term on Regina City Council and serves on many committees. He previously worked with provincial government in the area of investment attraction, business development and business immigration.

Mark Frison
POST-SECONDARY NOMINEE

President and CEO of Great Plains College in Swift Current. Mr. Frison held senior positions for several years in economic development in Atlantic Canada. He has served on several boards, advisory bodies and commissions.

Craig Lothian
RESOURCE SECTOR NOMINEE

President and CEO of Keystone Royalty Corp. and Executive Chair of Villanova Resources Inc., two Regina-based energy companies. Mr. Lothian has over 15 years experience in the oil gas sector. He has served on numerous corporate and community boards. He was previously a partner in a Regina law firm. Mr. Lothian is also active in the venture capital sector through Lex Capital Corp.

David Marit
RURAL MUNICIPALITY NOMINEE

President of the Saskatchewan Association of Rural Municipalities (SARM). Mr. Marit has farmed in the Fife Lake area for over 35 years. He has represented SARM on several councils and committees including the Action Committee on the Rural Economy; Agrivison; and Clearing the Path, a process to identify and remove municipal impediments to economic development.

Crystal McLeod
MEMBER-AT-LARGE

Lawyer with MacPherson Leslie & Tyerman LLP. Ms. McLeod has been involved in economic development and served on several boards of financial institutions. She is a member of Yellow Quill First Nation and is an active volunteer with community-based organizations.

Gary Merasty
ABORIGINAL NOMINEE

Vice-President of Corporate Social Responsibility for Cameco Corporation. Mr. Merasty has served as Grand Chief of the Prince Albert Grand Council and as a Member of Parliament. He has experience in governance, policy development, and Aboriginal and private sector business.

Hugh Wagner
LABOUR NOMINEE

General Secretary of the Grain Services Union. Mr. Wagner has served on a variety of committees, consultative bodies and labour movement forums including the Saskatchewan Labour Market Commission. He has worked in the service sector, construction industry and the Saskatchewan civil service.

Our Culture

Enterprise Saskatchewan's culture is driven by its values. The agency's success is embodied by open communication, teamwork and actions that are transparent and consistent. Each employee is responsible for taking personal ownership in living these values. The organization is committed to providing work-life balance, developmental opportunities and a supportive work environment.

Integrity

We conduct our business in a professional manner by communicating openly, treating people consistently with respect, being honest and trustworthy, and respecting diversity.

Excellence

We strive to provide the very best and creative ideas, programs and services to our clients and stakeholders, both within and outside of government.

Collaboration

Our strength is collaboration with each other, our clients and stakeholders across both the public and private sectors in achieving our objectives.

Innovation

We seek creative solutions by having fun, encouraging risk-taking and being resourceful to enhance Saskatchewan's business environment.

Accountability

We take actions that are consistent with our values, accept responsibility for our actions, hold each other accountable and take pride in achieving meaningful results.

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